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Scott, L.G.

Railway accounting
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Washington, D.C.

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President's Address
1923

L. G. SCOTT

Vice-President, Wabash Railway Co.



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H.C.

PRESIDENT'S ADDRESS

L. G. Scott

At this convention we are celebrating the 35th annual meeting of our Association. Your Presidents for each of the preceding years have, I think, without any exception directed attention to the remarkable growth of our Association from year to year, and I am glad to inform you that this year has been no exception to the rule; that we are still young and growing fast, as the records and reports of the year just closed will show.

It was my plan at the beginning of the year to attend at least one meeting of each committee of the Association held during the year, and while those plans were not fully carried out, yet I have had the privilege and pleasure of attending some of the sessions. Realizing that the large majority of our membership, approximately nine-tenths, do not have the benefit of the committees' deliberations and discussions beyond what is contained in the report to the Association, I suggested to our committees that they embody in their reports to the Association the reasons for their recommendations or conclusions on the various subjects handled. This suggestion did not apply to minor or unimportant matters, but only to the major or important subjects.

The reports of the Freight, Passenger, Disbursement and Terminal Companies, which are before you, speak for themselves and show a volume of work that is nothing less than astounding. The small number of committee meetings held and the large number of subjects handled constitute a tribute to the efficiency of our committees that cannot be overlooked. The quantity of work accomplished is worthy of commendation, but it is to be particularly observed that the quality of it all is the highest possible and the appreciation of the Association is due to the various committees for their indefatigable labors, their application to committee work, their interest and zeal, and their faithfulness in maintaining such a high standard.

The Governmental Department of Commerce, of which the Honorable Herbert Hoover is Secretary, has a Bureau of Service connected with his department, which he himself organized and designated "Division of Simplified Practice" for the purpose of making studies of the practices of manufacturers, producers, etc., in the hopes of securing their cooperation in the effort to eliminate unnecessary operations and to use simplified practices that produce economy and resulting reduced prices to the consumer. The Division of Simplified Practice tendered its services to our Association which we promptly availed ourselves of to the extent of inviting the representatives of the Division to visit the Association's office, look into our methods and accomplishments, and make such suggestions as

would tend to aid the Association, based on the Division's experience with so many industries and the varied commercial associations.

After completing the investigation, the representative departed with an oral statement to the effect that he had come with the expectation of making suggestions to us, but he was leaving with the realization that the methods and results of the Association were model and worthy of commendation; that the experiences of the Division did not indicate any suggestions whatever that could be made for the improvement of the methods and work being carried on by the Association. Later the following letter, dated March 29, 1923, was received:

DEPARTMENT OF COMMERCE
OFFICE OF THE SECRETARY
WASHINGTON

Mr. E. R. WOODSON, Secretary,
Railway Accounting Officers Association,
1116 Woodward Building,
Washington, D. C.

MY DEAR MR. WOODSON:

Since talking with you on March 23d about the simplification and standardization activities of your Association, I have reviewed your manual of Railway Accounting Procedure, your 38th annual report, and the other descriptive matter you so kindly furnished this office. Comment from us, in recognition of the splendid achievement of the Railway Accounting Officers Association in simplifying interline practice, is superfluous, for the results of the open-minded attitude and constructive policy of your members speak for themselves. Nevertheless, we are glad to have this opportunity to compliment you on the success of your efforts, and to express our appreciation of the national service you are rendering by eliminating waste in the industry with which you are so closely concerned.

You, of course, know of Secretary Hoover's great interest in the general problem of waste, and the effort he is making to arouse our industries to a fuller realization of the economic necessity for its reduction to the minimum. Work of the kind your organization is doing is in line with the Secretary's conception of effective methods for conserving material, labor, time, and human energy, and, therefore, bears his approval.

May your Association continue to gain in strength, and by your constant improvement and refinement of railway accounting practice, become of even greater constructive power and value in promoting the development and prosperity of our greatest and most essential industry—the railroads.

Yours very truly,

DIVISION OF SIMPLIFIED PRACTICE,

WM. A. DUGIN, Chief.
By (Signed) R. M. HUDSON.

While I know you join me in being proud of what the Association has accomplished during the past years, yet the view for the future, as I see it, disclosed through my touch with the Association and its work during the past, particularly the year just closed, leads me to the opinion that we have, as it were, but just started, and achievements that will be of more real value to those whom we serve are still before us to be accomplished.

Occasionally during the past I have heard of opinions being expressed by members that the future usefulness of the Association

to the carriers would gradually lessen because of having already accomplished and put into working effect all major accounting matters, leaving only minor features to be decided and adjusted. Such opinions remind me of an incident that happened in 1833 when a clerk in the patent office of the U. S. Government at Washington resigned, giving as his reason for the action, that everything of importance had been invented and that the office must soon go out of existence. While it is true that many important inventions had been patented up to that time, yet the facts remain that the greatest discoveries of the ages have been made since 1833, and I firmly believe that the same will be found true of our Association, and that the usefulness of the Association to the railroads will increase to a much larger extent in future years than has been the case during the past. I make this statement, realizing the importance to the railroads of this Association during the past.

To the member the Association is the big brother. It smooths the way by pointing out the bumps that have been discovered by past experience. It helps to solve perplexing problems. It does for the accounting officers, collectively, that which the accounting officers, individually, could not do for themselves.

The Association lends a helping hand to accounting officers of every rank, and its service is available to all carriers. It is the highest type of cooperation. It is team work—the kind that leads to better work and more of it.

Elbert Hubbard said:

"A man alone will accomplish nothing. All of his thoughts and acts have a direct relationship with others. Men succeed only as they work together. Without companionship ambition droops; courage flags; animation vanishes. We succeed only as we band ourselves with others."

An extremely interesting feature of our Association is the many and diverse views held by the members on most accounting subjects, which fact is really a life saver, as expressed in a little verse which I read recently, author unknown:

"This world would be tiresome; we'd all get the blues,
If all the folks in it held just the same views,
So finish your work; show the best of your skill;
Some folks won't like it, but other folks will."

It is significant that our Association has been constantly growing in membership and in usefulness, but, of course, we have had difficulties to surmount, and we have our trials and tribulations. However, the Association has borne in mind that a dead fish can float with the stream, while it takes a live one to swim upstream. Somewhere I have heard that while a great tempest raged on the sea, a mariner of old cried out: "Oh, God, Thou mayst save me if Thou wilt; and if Thou wilt, Thou mayst destroy me; but whether or no, I will steer my rudder true." The thought along this line is also conveyed by Ella Wheeler Wilcox in the verse that reads:

"One ship sails east and one sails west
By the self same winds that blow,
It's the set of the sails, and not the gales,
Which determine the way it goes.
Like the winds of the sea are the ways of fate,
As we journey on through life;
'Tis the set of the soul which determines its goal,
And not the calm or the strife."

One of the most important, if not the most important, steps ever taken in the history of railway accounting was the adoption by this Association of Mandatory Rules covering certain phases of interline accounting and certain interline forms. Those rules represent merely a fair, impartial procedure of accounting among carriers for their interline dealings, and are the result of many years' study of practically every kind of accounting situation, and as a matter of fact, they are really composed of what has been for many years standard interline accounting practices.

Those who are familiar with the tendencies of the times readily recognize that perpetuation cannot exist for those conditions which have made it possible for a carrier to deviate from an interline accounting rule according to the whim of the moment or according to its interest in the individual case, while, under other circumstances, the same carrier could insist on making a literal application of the same rule when its interests lie in that direction. Demanding the return of those conditions would be like demanding that the dead leaf be returned to the tree.

Of course, the rules are not perfect, and they do not represent the fixed and unalterable practice for all time to come. On the contrary, it is entirely clear that experience, added wisdom and new viewpoints will, from time to time, indicate changes, alterations and additions that may well be made. Our position is somewhat like "the bird, that halting in her flight, while on boughs too slight, feels them give way beneath her, and yet sings, knowing that she hath wings."

I feel, however, that the rules and the forms should only be changed when there is a controlling or impelling reason of general application to warrant such change. The rules should never be altered merely to meet some individual situation, and we may well recognize the principle that it will be necessary to adapt the individual cases to the rules—rather than undertake the impossible proposition of adapting the rules to the exceptional individual cases.

Some very substantial results in the way of standardizing and simplifying railway accounting forms have been accomplished in recent years by the Association. This is a field of endeavor that affords many opportunities for constructive efforts and is a work that saves money for the railroads in reducing printing costs and in producing increased efficiency and economy in clerical labor. I am glad to see that our committees are continuing their commendable efforts in this direction.

I commend to your notice, and for action by the various committees of the Association, the subject of nomenclature or terminology, that is to say, the definition of words, phrases, etc., that are in common use and have some meaning peculiar to railway accounting. This is a subject that may well receive the necessary attention and action. It has been suggested before, but it will bear repetition.

The work of the Association during the past has been confined largely, in fact, almost entirely, to matters relating to interline accounting, that is to say, accounting affecting two or more carriers, thereby creating an erroneous impression, for while interline accounting has constituted a large part of the Association's work, for the very natural reason of its outstanding importance, the Association will continue to welcome and act upon suggestions or ideas relating to accounting practices, methods and forms, whether interline or local. The interchange of ideas and suggestions on such subjects through the medium of the Association proves of benefit and assistance, and we must constantly bear in mind the advantages incident to having recommendations and suggestions along these lines become a matter of record in the Association's publications and thus be available for reference when the need arises.

We have been both honored and favored by the addresses of Professor Cunningham and Mr. Williams, and in order that this Association may obtain the full benefit from these masterful addresses, I wish to impress upon every member of the Association the importance of considering very carefully every suggestion made, and that the Association have placed upon the dockets of the several committees involved a copy of the addresses, with the request that they analyze and develop material therefrom that will enable the accounting officers to grow in value and importance to the railroads they serve, for these gentlemen have given these matters which they have brought to our attention the most careful thought, and certainly with the purpose and hope that through this means they might be of use in solving the many intricate problems that are before us. That was what I had in mind when asking them to devote their time and thought in the preparation of these papers, and this Association is grateful for the privilege of hearing them and of being the medium of carrying their messages to the railways and the people of the country.

The Constitution provides that one of the objects of the Railway Accounting Officers Association is the "Interchange of ideas and experiences among members." Ideas have always existed and have no real value in themselves unless brought to the light, and their worth realized by men of foresight and judgment and exceptional ability, and then put into practical use. Men of that type are consciously or unconsciously widening the sphere of usefulness of railway accounting as a science, and increasing the importance of the profession of railway accounting.

I recently came across a verse that illustrates the point of the suggestion pretty well:

"A woodpecker pecks out a great many specks
 Of sawdust when building a hut;
 He works like a nigger to make the hole bigger;
 He's sore if his cutter won't cut.
 He doesn't bother with plans of cheap artisans
 But there's one thing can rightly be said;
 The whole excavation has this explanation:
 He builds it by using his head."

The mere fact that we are members of this Association is evidence of our desire to learn from the experiences of one another, for the railway man who refuses to learn from the knowledge and experience of others is like the mariner who undertakes to sail a dangerous sea without a chart. The reason for mentioning in our Constitution the interchange of experiences is because our Association needs constantly men who know more, who can do more and who can do better than that to which accustomed. The rest of us will learn from the experiences of such men. I honor and admire those able men who have contributed and are contributing in ungrudging measure to the welfare, success and progress of the Railway Accounting Officers Association. Their ideas have materially enhanced the services that we render and their unselfish devotion to duty, their loyalty and faithfulness have been the source of encouragement, inspiration and uplift.

The Association is exclusively a business organization, having no social attachments, nor does it sanction junketing of any kind.

However, I would be overlooking a very important feature if I omitted to mention at this time the important by-product in the development of friendships among the accounting officers. The Association does away with misunderstandings that exist among men who never saw one another and who have all their dealings by correspondence. In every kind of business we consciously or unconsciously deal with our friends and only our friends will deal with us, as we can hardly expect our enemies to transact business with us. In the conduct of the Association's work it is the personal contact with men that helps to make the work so attractive. Meeting people time after time forms friendships which are perpetuated and help to make life sweeter and finer. A man who has the happy faculty of making friends is to be envied, for hearts just seem to unfold like flowers before such a person. Friendships come from worth, respect, admiration and service, and right here pardon me for mentioning the importance that was placed upon this word by the greatest man who ever lived, when He said to His companions of three years' duration, "I call you friends, ye are My friends, for all things that I have heard I have made known unto you." To have friends of that character a man must possess worth-while qualities and in order to have friends it is necessary to be one.

The Interstate Commerce Commission has indicated its intention of revising and reissuing the accounting classifications of Operating Expenses, Operating Revenues, Investment in Road and Equipment,

and Income, Profit and Loss and General Balance Sheet accounts, prescribed by the Commission for carriers, effective July 1, 1914, and has afforded the Railway Accounting Officers Association the opportunity of collaborating with representatives of the Commission's Bureau of Accounts in the preparation of the proposed revised tentative accounting classifications for consideration and discussion generally. In their work with representatives of the Commission, our committees have had the benefit of some very helpful suggestions from the interested departments of various railways. Progress is being made with this work and it is contemplated that the results will be submitted to carriers generally for criticism and suggestions.

The first classification issued by the Commission covered Operating Expenses and was effective July 1, 1888, 35 years ago, which classification has had numerous revisions down to the present time.

The next classification to be issued by the Commission covered Investment Accounts, effective August 24, 1897, entitled "Construction Expenses." Numerous revisions have been made between that date and the present classification entitled "Investment in Road and Equipment."

The first classification of Operating Revenues was effective July 1, 1907, with but one revision between that date and the effective date of the present one.

The first classification of General Balance Sheet accounts was effective July 1, 1909, and for Income and Profit and Loss Accounts July 1, 1912.

It is interesting to those on the side lines to note from year to year the expressions of relief in the face of each retiring President, and his elation at being relieved of the responsibility of office, which fact he can no more control than the bride and groom, who, no matter how hard they try to look natural and unconcerned, their every action and expression advertises their happiness.

If the affairs of the Association have been handled throughout the year to your satisfaction, too much credit cannot be given by you to our Secretary and his assistants in accomplishing the results. Personally, Mr. Woodson, your assistance to me has been invaluable and I have joined the ranks of those who alone can appreciate the extent and quality of your service, and I wish to thank you most heartily.

Our Secretary and his force have, as usual, covered a very large volume of work during the year, and as I have been watching them perform, it has occurred to me that our Secretary's field of usefulness to the Association could be further broadened if he had an additional man or perhaps two on his force to make special investigations or compilations of data on important subjects submitted that would materially assist the committees in the handling of such subjects. The present and past practice has been to depend on the members of committees to furnish all facts and figures.

Many of the older members will remember the method of pro-

cedure that prevailed prior to 1914 when the Secretary had little or no information or record of the detail of the committee work, except that which was handled by the Executive Committee or the Committee of 25. Some member of each committee had to act as Secretary, and I am sure that there is no one present who would want to go back to the old arrangement, because of the present arrangement under which our Secretary devotes his entire time and thought to the Association's work, bringing far superior results as compared with the old arrangement, and it is with the thought in mind of a further improvement and in the belief that it can be accomplished that I make the above recommendation.

My term of office may now be measured in hours. It has been a pleasure and a privilege for me to serve as your President. I am grateful to you for the honor of the office and for the pleasure that accompanied whatever service I have been able to render, and I thank you for giving me the opportunity of acquiring an insight into the activities of the accounting profession, and a respect for the methods of the Association, which I shall carry with me through all my days. Day after tomorrow when I relinquish the administration of the Association's affairs to my able and distinguished successor, I shall do so with the knowledge and conviction that the future is bright for our organization.

MSA #22632

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